

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

--	--	--	--	--	--	--	--	--	--

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2020/2021

DFA5034 – FINANCIAL ACCOUNTING 3

(For Diploma Students Only)

19 OCTOBER 2020
9.00 a.m. – 12.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 6 pages with 4 questions.
2. Write your answers in the answer booklet provided.
3. Answer ALL questions.

QUESTION 1

Trio Enterprise uses the perpetual inventory system and had the following purchases and sales during the month of August 2019:

		<u>Purchases</u>		<u>Sales</u>	
		<u>Units</u>	<u>Unit Cost (RM)</u>	<u>Units</u>	<u>Unit Price (RM)</u>
1/8	Beginning inventory	60	70		
6/8	Purchase	100	80		
10/8	Sales			90	135
13/8	Purchase	210	100		
19/8	Sales			100	152
25/8	Purchase	70	110		
29/8	Sales			85	162
30/8	Sales			110	165

Required

- (a) Using the inventory and sales data above, prepare a schedule to show cost of goods sold and the value of ending inventory for the month of August 2019 using the:
- FIFO Method (12 marks)
 - Average Cost Method (8.5 marks)
- (b) Prepare the Statement of Profit or Loss for the month of August 2019 under FIFO Method, assuming that the operating expenses is RM16,700. (3.5 marks)
- (c) Identify which method will show the highest amount of owner's equity and justify your answer. (1 mark)

(Total: 25 marks)

QUESTION 2**Part A**

Crush Company obtained significant influence over Fineland Corporation by buying 30% of Fineland 600,000 outstanding shares of common stock at a total cost of RM2 per share on 1 February 2019.

On 1 September 2019, Crush sold a quarter of its shares in Fineland Corporation at RM2.50 each. Fineland Corporation declared and paid a cash dividend of RM1.10 per share on 31 October 2019. On 31 December, Fineland Corporation reported a net income of RM320,000 for the year 2019.

Required

Journalise the above transactions for Crush Company. (4.5 marks)

Continued...

Part B

Given below are the trading securities portfolio owned by Meeracle Company and its ownership percentage, held as short-term investment as at 1 January 2019.

Securities	Number of Shares	Cost (RM)
Arena Company (35%)	40,000	100,000
Sixma Company (15%)	12,000	72,000
Pines Company (30%)	12,400	49,600

The securities in Arena and Pines Company are held for influence or control over the investees, whereas Meeracle Company has no influence in Sixma Company. Below are the transactions that occurred in the year 2019.

May 1	Purchased 100, 6%, RM1,000 Rich Company bonds for RM100,000 plus brokerage fees of RM1,200.
Sept 1	Sold 5,000 shares of Sixma Company's common stock for cash at RM7 per share, less brokerage fees of RM900.
Oct 1	Sold half of bonds in Rich Company for RM42,000, less brokerage fees of RM1,000.
Nov 1	Received cash dividend of RM1.20 and RM0.80 per share in Arena and Sixma Company, respectively.
Dec 15	Arena and Pines Company reported net income of RM400,000 and RM250,000, respectively
Dec 31	Accrued the interest on Rich Company's bonds.
Dec 31	Pines Company declared and paid dividend for the year amounted to RM280,000.

As at 31 December 2019, the fair values of the securities are as follows:

Securities	Fair Value per share
Arena Company	RM2
Sixma Company	RM8
Pines Company	RM5.50

Required

- Journalise the transactions for the year 2019. (10 marks)
- Prepare the ledger for Share Investments account. (4 marks)
- Prepare the adjusting entry as at 31 December 2019 to show the securities at fair value. (Show all your workings.) (4 marks)

Continued...

- (d) Show the presentation of other revenues and gains section in the Statement of Profit or Loss for the year ended 31 December 2019.

(2.5 marks)

(Total: 25 marks)

QUESTION 3

Part A

The Statement of Financial Position of the ARR Partnership prior to liquidation appears as below:

ARR Partnership Statement of Financial Position as at 31 December 2019		
	RM	RM
Current Assets		
Cash	41,500	
Account Receivables	30,800	
Inventories	12,700	
		85,000
Non-current Assets		
Vehicle		155,000
TOTAL ASSETS		RM240,000
Current Liabilities		
Bank Overdraft	28,800	
Account Payables	75,300	
		104,100
Owners' Equity		
Aimi, Capital	15,000	
Rose, Capital	85,700	
Rina, Capital	35,200	
		135,900
TOTAL LIABILITIES & EQUITY		RM240,000

Additional information:

- The partners Aimi, Rose and Rina share profits and losses in the ratio of 2:5:3.
- The non-cash assets are sold for RM98,000.
- The liabilities are paid in full.
- The remaining asset will be distributed to the partners. Assume that if any partner has a capital deficiency, she will not be able to pay the amount owed to the partnership.

Required

Prepare the necessary journal entries to record the liquidation of the ARR Partnership.

(9.5 marks)

Continued...

Part B

Given below are three independent transactions.

- (a) Gary, Alex, and Thomas are partners of GAT Partnership. Their profits and losses ratios are 50%, 25%, and 25%, respectively. The partners' capital balances are as follows:

Gary	RM117,000
Alex	RM 78,000
Thomas	RM 45,000

During the retirement of Alex, Gary and Thomas each paid him RM32,000 from their personal assets to buy half of Alex's interest.

- (b) Lulu and Mimi are partners who share their profits 40% and 60%, respectively. Before Rara was admitted to the partnership, Lulu's and Mimi's capital balances were RM680,000 and RM480,000, respectively. Rara contributed RM760,000 in cash to the partnership for a one-half interest.
- (c) Brian and Aryn are partners who share profits 30% and 70%. Total of their capital balances were RM320,000 before Dyna was admitted to the partnership. Dyna paid RM60,000 each to Brian and Aryn to purchase of a 25% interest in the partnership.

Required

Prepare the journal entries to record the above transactions. (5 marks)

Part C

Mila and Zaza are the partners of M&Z Partnership. The partnership agreement provides for:

- salary allowances of RM42,000 to Mila and RM35,000 to Zaza.
- interest allowances of 6% on capital balances at the beginning of the year.
- the remainder income is to be shared equally.

Capital balances on 1 January 2019 were Mila RM280,000, and Zaza RM220,000. In 2019, partnership net income is RM280,000.

Required

- (a) Prepare a schedule showing the distribution of net income. (6.5 marks)
- (b) Journalise the allocation of net income. (1.5 marks)
- (c) Show a partial schedule showing the distribution of net income if the net income is RM88,000. (2.5 marks)

(Total: 25 marks)

Continued...

QUESTION 4**Part A**

Given below are the comparative Statement of Financial Position of Dreamland Bhd. for the year 2018 and 2019.

Dreamland Bhd. Comparative Statement of Financial Position as at 31 December		
	2019	2018
	(RM)	(RM)
Current Assets		
Bank	250,000	290,000
Trade Receivables	110,000	75,000
Inventories	88,000	62,000
Total Current Assets	448,000	427,000
Intangible Asset		
Goodwill	65,000	90,000
Property, Plant and Equipment		
Land and Building	450,000	220,000
Plant and Machinery	90,000	225,000
Total Assets	RM1,053,000	RM962,000
Current Liability		
Trade Payables	105,000	90,000
Non-current Liability		
5% Debentures	-	200,000
Shareholders' Equity		
Ordinary Shares of RM2 per share	820,000	550,000
Retained Profit	128,000	122,000
Total Liabilities and Shareholders' Equity	RM1,053,000	RM962,000

Required

Prepare a horizontal analysis of the Statement of Financial Position data by using 2018 as a base year. (13 marks)

Continued...

Part B

The following are selected transactions of Lexis Company for the year 2019. Lexis prepares its financial statements quarterly.

Jan	2	Purchased merchandise on account from Empire Company, RM55,000, terms 2/10, n/30.
Feb	1	Issued a 6%, 2 months, RM55,000 note to Empire in payment of account payable.
Feb	15	Sold merchandise for cash totaling RM12,000 which includes 6% sales tax.
Mar	31	Accrued interest for 2 months on Empire note.
Apr	1	Paid the face value and interest on Empire note.
July	1	Purchased furniture from Luxury Company paying RM15,000 in cash and signing a 8%, 3 months, RM 45,000 note.
Sept	30	Accrued interest for 3 months on Luxury note.
Oct	1	Paid the face value and interest on Luxury note.
Dec	1	Borrowed RM42,000 from the Premium Bank by issuing 3 months, 7% interest bearing note with a face value of RM42,000.
Dec	31	Recognized interest expense for 1 month on Premium Bank note.

Required

Prepare the journal entries for the above transactions.

(12 marks)

(Total: 25 marks)

End of Paper